



AltaLink, L.P.

Consolidated Condensed Interim Financial Statements (unaudited)

For the three and nine months ended September 30, 2021 and 2020



Statement of Financial Position

(unaudited)

		As at	
		September 30, 2021	December 31, 2020
		Notes	
<i>(in thousands of dollars)</i>			
ASSETS			
Current			
Cash		\$ 476	\$ 4,229
Trade and other receivables	5	99,998	105,117
		100,474	109,346
Non-current			
Goodwill		202,066	202,066
Intangible assets	6	292,186	293,154
Property, plant and equipment	7	8,109,719	8,138,737
Third party deposits	8	67,414	74,790
Other non-current assets	5	1,017,899	803,729
		\$ 9,789,758	\$ 9,621,822
LIABILITIES AND PARTNERS' EQUITY			
Current			
Trade and other payables	9	\$ 126,729	\$ 104,109
Commercial paper and bank credit facilities	10	120,500	143,500
Current portion of deferred revenue	11	58,181	57,185
		305,410	304,794
Non-current			
Long-term debt	10	4,723,691	4,722,483
Deferred revenue	11	1,034,222	1,017,630
Third party deposits liability	8	67,414	74,790
Lease liabilities	12	51,367	52,830
Other non-current liabilities	9	50,049	43,021
		6,232,153	6,215,548
Commitments and contingencies	17, 18		
Partners' equity			
AltaLink, L.P. equity		3,541,065	3,389,739
Non-controlling interests	16	16,540	16,535
		3,557,605	3,406,274
		\$ 9,789,758	\$ 9,621,822

See accompanying notes to the consolidated condensed interim financial statements.

Statement of Comprehensive Income

(unaudited)

	Notes	Three months ended		Nine months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<i>(in thousands of dollars)</i>					
Revenue					
Operations	14	\$ 236,588	\$ 232,108	\$ 705,674	\$ 700,566
Other		9,170	11,031	28,798	29,850
		245,758	243,139	734,472	730,416
Expenses					
Operating	15	(22,260)	(26,609)	(76,353)	(78,512)
Property taxes, salvage and other	15	(26,812)	(24,974)	(75,452)	(72,633)
Depreciation and amortization		(70,870)	(68,012)	(210,393)	(202,819)
		(119,942)	(119,595)	(362,198)	(353,964)
		125,816	123,544	372,274	376,452
Finance costs	10	(46,653)	(46,804)	(138,596)	(140,900)
(Loss) gain on disposal of assets		(583)	64	(3,727)	(696)
Income before non-controlling interests		\$ 78,580	\$ 76,804	\$ 229,951	\$ 234,856
Non-controlling interests		(403)	(423)	(1,220)	(1,159)
Net and comprehensive income		\$ 78,177	\$ 76,381	\$ 228,731	\$ 233,697

See accompanying notes to the consolidated condensed interim financial statements.

Statement of Changes in Partners' Equity

(unaudited)

	Units	Allocation to Limited Partner	Allocation to General Partner	Total Retained Earnings	Partners' Capital	Non- Controlling Interests	Total Equity
<i>(in thousands of dollars)</i>							
As at January 1, 2020	331,904	\$ 1,214,354	\$ 121	\$ 1,214,475	\$ 2,126,503	\$ 9,934	\$ 3,350,912
Net and comprehensive income							
including non-controlling interests	—	233,673	24	233,697	—	1,159	234,856
Equity investment received	—	—	—	—	—	6,585	6,585
Distributions paid	—	(201,481)	(20)	(201,501)	—	(1,159)	(202,660)
Equity reclassified to financial (redemption) liability	—	—	—	—	(6,585)	—	(6,585)
Balance at September 30, 2020	331,904	\$ 1,246,546	\$ 125	\$ 1,246,671	\$ 2,119,918	\$ 16,519	\$ 3,383,108
As at January 1, 2021	331,904	\$ 1,269,711	\$ 127	\$ 1,269,838	\$ 2,119,901	\$ 16,535	\$ 3,406,274
Net and comprehensive income							
including non-controlling interests	—	228,708	23	228,731	—	1,220	229,951
Equity investment received	—	—	—	—	10,600	—	10,600
Distributions paid	—	(87,991)	(9)	(88,000)	—	(1,215)	(89,215)
Equity reclassified to financial (redemption) liability [note 9]	—	—	—	—	(5)	—	(5)
Balance at September 30, 2021	331,904	\$ 1,410,428	\$ 141	\$ 1,410,569	\$ 2,130,496	\$ 16,540	\$ 3,557,605

See accompanying notes to the consolidated condensed interim financial statements.

Statement of Cash Flows

(unaudited)

	Notes	Three months ended		Nine months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<i>(in thousands of dollars)</i>					
Cash flows from operating activities					
Net income before non-controlling interests		\$ 78,580	\$ 76,804	\$ 229,951	\$ 234,856
Adjustments for					
Depreciation and amortization		70,870	68,012	210,393	202,819
Third party contributions revenue	11	(6,378)	(6,209)	(19,014)	(18,572)
Loss (gain) on disposal of assets		583	(64)	3,727	696
Disallowed net capital costs	7	—	—	638	—
Customer tariff refund		(76,666)	—	(153,333)	—
Change in other items		(20,749)	(10,836)	(60,554)	(31,034)
Change in non-cash working capital		83,759	20,137	33,226	9,897
Net cash provided by operating activities		129,999	147,844	245,034	398,662
Cash flows from investing activities					
Capital expenditures		(58,465)	(68,302)	(190,619)	(226,565)
Use of third party contributions		8,183	15,000	37,595	41,758
Proceeds from disposal of assets		(72)	—	3,928	35
Net cash used in investing activities		(50,354)	(53,302)	(149,096)	(184,772)
Cash flows from financing activities					
Senior debt repaid		—	(125,000)	—	(125,000)
Senior debt issued		—	225,000	—	225,000
Net movement in commercial paper and bank credit facilities		(44,458)	(119,646)	(23,000)	(119,590)
Distributions paid		(34,000)	(73,001)	(88,000)	(201,501)
Distributions paid to non-controlling interests		(416)	(387)	(1,215)	(1,159)
Equity received from non-controlling interests		—	—	—	6,585
Equity investment received		—	—	10,600	—
Principal repayments of lease liabilities		(395)	(408)	(1,193)	(1,231)
Lease incentive received		—	—	3,000	3,000
Change in other financing activities		38	(1,100)	117	(1,257)
Net cash used in financing activities		(79,231)	(94,542)	(99,691)	(215,153)
Net change in cash		414	—	(3,753)	(1,263)
Cash, beginning of period		62	50	4,229	1,313
Cash, end of period		\$ 476	\$ 50	\$ 476	\$ 50
Supplementary cash flow information					
Interest paid		\$ (24,063)	\$ (24,904)	\$ (117,680)	\$ (120,973)

See accompanying notes to the consolidated condensed interim financial statements.

1. General information

AltaLink, L.P. (AltaLink) was formed under the laws of the Province of Alberta in Canada on July 3, 2001, to own and operate regulated transmission assets in Alberta. AltaLink's head office is located at 2611 - 3rd Avenue SE, Calgary, Alberta, T2A 7W7. AltaLink has one limited partner, AltaLink Investments, L.P., and is managed by AltaLink Management Ltd. (the General Partner). While the General Partner may hold legal title to the assets, AltaLink is the beneficial owner and assumes all risks and rewards of the assets.

On December 1, 2014, BHE Canada Holdings Corporation became the sole owner of AltaLink by indirectly acquiring 100 percent of AltaLink.

These consolidated condensed financial statements include the accounts of AltaLink and its subsidiary entities, PiikaniLink, L.P. (PLP) and KainaiLink, L.P. (KLP) (collectively, the Partnership). For the purposes of consolidation, intercompany accounts and transactions have been eliminated.

The Partnership is regulated by the Alberta Utilities Commission (AUC), pursuant to the Electric Utilities Act (Alberta) (EUA), the Public Utilities Act (Alberta), the Alberta Utilities Commission Act (Alberta), and the Hydro and Electric Energy Act (Alberta). These statutes and their respective regulations cover matters such as tariffs, construction, operations, financing and accounting. The Alberta Electric System Operator (AESO) administers the transmission of all electrical energy through the Alberta Interconnected Electric System in the Province of Alberta.

During the nine months ended September 30, 2021 and 2020, the Partnership operated solely in one reportable geographical and business segment.

2. Basis of preparation

Statement of compliance

These consolidated condensed interim financial statements (the consolidated financial statements) have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*. They should be read in conjunction with the Partnership's most recent annual audited consolidated financial statements as at and for the year ended December 31, 2020.

The Partnership has consistently applied the same accounting policies in these consolidated financial statements as compared to its most recent annual audited consolidated financial statements.

Certain of the significant accounting policies adopted to prepare these consolidated financial statements are set out below. The consolidated financial statements reflect the financial position and financial performance of the Partnership and do not include all of the assets, liabilities, revenues and expenses of AltaLink Investments, L.P. or AltaLink Management Ltd.

These consolidated financial statements were approved for issue by the Audit Committee on November 4, 2021, as delegated by the Board of Directors.

Basis of measurement

These consolidated financial statements have been prepared on a going concern and historical cost basis except for employee retirement benefits liabilities and cash, which are measured at fair value.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Partnership's functional currency.

Use of estimates and judgement

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Judgements made by management that have significant effects on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are disclosed, where applicable, in the relevant notes to the consolidated financial statements.

Accounting policies are selected and applied in a manner which ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring the substance of the underlying transactions or other events is reported.

As a regulated utility, the Partnership records certain amounts at estimated values until these amounts are finalized. The Partnership bases its estimates and judgements on historical experience, including experience with regulatory processes, current conditions and various other reasonable assumptions. These factors form the basis for making judgements about the carrying values of assets and liabilities. They are also the basis for identifying and assessing the Partnership's accounting treatment with respect to commitments and contingencies. Significant estimates and judgements include:

- Expected regulatory decisions on matters that may impact revenue;
- The recovery and settlement of financial assets and liabilities related to regulated activities, including the collection of the recovery of future income taxes and prudence reviews by the AUC of direct assigned capital deferral account (DACDA) applications;
- Key economic assumptions used in cash flow projections to assess goodwill for impairment;
- The estimated useful lives of assets;
- The recoverability of tangible and intangible assets, including estimates of future costs to retire physical assets or the recoverability of costs associated with direct assigned projects that have been cancelled or delayed in the regulatory process; and
- The accruals for capital projects.

The Partnership applies changes in estimates prospectively as they result from new information. To the extent that a change in accounting estimate gives rise to changes in assets or liabilities, or relates to an item of equity, the Partnership adjusts the carrying amount of the related asset or liability in the period of the change.

3. Summary of significant accounting policies

The following is a summary of certain of the significant accounting policies. For a complete summary of significant accounting policies, please refer to note 3 in the Partnership's 2020 annual audited consolidated financial statements.

Regulation of transmission tariffs

The Partnership operates under cost-of-service regulation in accordance with the EUA. The AUC must provide the Partnership with a reasonable opportunity to recover its prudently incurred and forecasted costs, including operating expenses, depreciation, cost of debt, capital and taxes associated with investment, and a fair return on investment. Fair return is determined on the basis of return on rate base and allowance for funds used during construction (AFUDC) for projects included in construction work-in-progress (CWIP). The Partnership applies for transmission tariffs based on forecasted costs-of-service. The Partnership's transmission tariffs are not dependent on the price or volume of electricity transported through its transmission system. Once approved, the transmission tariffs are not adjusted if actual costs-of-service differ from forecast, except for certain prescribed costs for which deferral and reserve accounts are established within the transmission tariffs. The annual transmission tariff is received from the AESO in equal monthly installments and is included in accounts receivable as it falls due.

All tariff adjustments arising from deferral or reserve accounts relate to services provided to the AESO during the reporting periods, and settlement of these accounts with the AESO is not contingent on providing future services. If, in management's judgement, a reasonable estimate can be made of the impact future regulatory decisions may have on the current period's consolidated financial statements, such an estimate will be recorded in the current period. When the AUC issues a decision affecting the consolidated financial statements of a prior period, the final effects of the decision are recorded in the period in which the decision is issued.

Revenue recognition

Operations revenue from regulated activities represent the inflow of economic benefits earned during the period arising in the ordinary course of the Partnership's operating activities. The Partnership has a single performance obligation to stand ready to provide electrical transmission services through its transmission infrastructure as directed by the AUC. The return earned by the Partnership is based on tariffs approved by the AUC and is subject to change. Operations revenue is recognized on an accrual basis in accordance with tariffs approved by the AUC, and based on the value of consideration expected to be received by the Partnership. The Partnership does not recognize revenue for any portion of tariffs received but not earned. Unearned tariffs are classified as financial liabilities related to regulated activities or deferred revenue in the consolidated financial statements.

Revenue for the recovery of deemed future income taxes is accrued based on the underlying right for the Partnership to earn an after-tax rate of return.

Funds provided by the regulator to pay for salvage costs are deferred and released into revenue from operations when the associated salvage activities are performed and costs are incurred.

Other revenue represents revenue received from third parties and includes, but is not limited to, amortization of third party contributions, cost recoveries for services provided to other utilities, and rental income. Third party contributions are recorded as deferred revenue when capital funds are expended and recognized into other revenue over the useful lives of the associated asset. Cost recovery revenue is recognized on an accrual basis as the costs are incurred. Rental income from third parties is recognized on a straight-line basis over the contract term.

Financial assets and liabilities related to regulated activities

The regulatory and legal rights and obligations under which the Partnership operates assign the Partnership the right to bill and collect financial assets related to regulated activities from the AESO. The AESO is the Partnership's single counterparty for regulated activities and amounts billed to it by the Partnership are based on specific amounts and timing approved by the AUC. There is no future performance required by the Partnership to recover these amounts. Long-term amounts due from the AESO earn a regulatory return and are discounted at a market rate of interest.

Financial assets are reviewed for impairment every reporting period. The carrying amounts of financial assets in the statement of financial position are net of impairment loss allowances recognized for any identified lifetime expected credit losses. Expected credit losses are a probability-weighted estimate of the present value of expected cash shortfalls over the expected life of the financial asset, determined based on the Partnership's historical experience and forward looking information. No provision for impairment was required during the nine months ended September 30, 2021.

The regulatory and legal rights and obligations under which the Partnership operates also require the Partnership to refund to the AESO certain amounts that have been received in the Partnership's tariffs that are greater than its actual expenses. Such financial liabilities related to regulated activities due to the AESO within 12 months are not discounted.

Non-controlling interests

Portions of the equity not owned by AltaLink are reflected as non-controlling interests within the equity section of the statement of financial position. Portions of the net income attributable to AltaLink and the non-controlling interests are reported on the statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and disallowed capital costs. The initial cost of an asset consists of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets, borrowing costs that are eligible to be recovered over the estimated useful life of the asset. The Partnership capitalizes major replacements and upgrades if these costs extend the life of the asset and the Partnership expects to use these items during more than one year. Maintenance and repair costs are recognized as expenses in the period in which they are incurred.

Depreciation is calculated over the estimated useful lives of assets on a straight-line basis based on depreciation studies prepared by an independent expert. The expected useful lives of the assets are reviewed annually, and if necessary, changes in useful lives are accounted for in the period the changes were identified.

When an asset is retired or disposed of in the normal course of business, the gain or loss is recognized immediately in the statement of comprehensive income. Generally, losses or gains are recoverable from or repayable to the AESO through future transmission tariffs. The Partnership recognizes the related amounts in revenue and records the amount as financial assets or liabilities related to regulated activities. Capital inventory and land are capitalized but not depreciated. CWIP is capitalized but not depreciated until the assets are available for use and the costs have been transferred to lines, substations, and buildings and equipment.

Reviews of property, plant and equipment to establish whether there has been any impairment are carried out when a change in circumstance is identified that indicates an asset might be impaired.

Short-term and long-term debt

Short-term and long-term debt are measured initially at fair value and subsequently at amortized cost. Costs incurred to arrange long-term debt financing are offset against the debt amount and amortized using the effective interest rate method. The amortization of these charges is included in finance costs.

4. Risk management and financial instruments

Fair value of financial instruments

Financial Instrument	Designated Category	Measurement Basis	Associated Risks	Fair Value at September 30, 2021
Cash	Fair value through profit or loss	Fair value	<ul style="list-style-type: none"> · Market · Credit 	Carrying value is fair value due to short-term nature.
Trade and other receivables and other non-current assets [note 5]	Amortized cost	Initially at fair value and subsequently at amortized cost	<ul style="list-style-type: none"> · Credit · Liquidity 	Amortized cost or carrying value approximates fair value due to nature of the asset.
Trade and other payables and other non-current liabilities [note 9]	Amortized cost	Initially at fair value and subsequently at amortized cost	<ul style="list-style-type: none"> · Liquidity 	Amortized cost or carrying value approximates fair value due to nature of the liability.
Commercial paper and bank credit facilities and long-term debt [note 10]	Amortized cost	Initially at fair value and subsequently at amortized cost	<ul style="list-style-type: none"> · Market · Liquidity 	\$5,427.0 million. Due to the short-term nature of commercial paper and bank credit facilities, carrying value approximates fair value. Long-term debt fair values are determined using quoted market prices (which are classified as level 1 inputs).
Lease liabilities [note 12]	Amortized cost	Initially at fair value and subsequently at amortized cost	<ul style="list-style-type: none"> · Liquidity · Market 	Amortized cost approximates fair value due to nature of the liability.
Third party deposits [note 8]	Amortized cost	Initially at fair value and subsequently at amortized cost	<ul style="list-style-type: none"> · Market · Credit · Liquidity 	Carrying value approximates fair value as cash received is held in short-term investments.
Third party deposits liability [note 8]	Amortized cost	Initially at fair value and subsequently at amortized cost	<ul style="list-style-type: none"> · Liquidity 	Carrying value approximates fair value due to the nature of the liability.

The Partnership currently does not use hedges or other derivative financial instruments in its operations.

Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause the Partnership to incur a financial loss. There is exposure to credit risk on all financial assets included in the statement of financial position. To help manage this risk:

- The Partnership has a policy for establishing credit limits;
- Collateral may be required where appropriate; and
- Exposure to individual entities is managed through a system of credit limits.

The Partnership has a concentration of credit risk, as approximately 96% of its trade receivable balance at September 30, 2021 is due from the AESO (December 31, 2020 – approximately 90%). The credit risk is mitigated by the fact that the AESO is an “AA-” rated entity by Standard & Poor's, and it has been established under the EUA, while the remaining trade receivables are mostly due from investment grade utilities, comprised mainly of amounts due for construction services and tower and land rents.

More than 99% of the trade receivables balance at September 30, 2021 is with third parties that the Partnership has been transacting with for over five years (December 31, 2020 – more than 99%). None of these balances are considered credit-impaired at the reporting date.

The Partnership's maximum exposure to credit risk, without taking into account collateral held, equals the current carrying values of cash, trade and other receivables, other non-current assets due from the AESO and third party deposits as disclosed in these consolidated financial statements.

Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. Components of market risk to which the Partnership is exposed are discussed below:

Interest rate risk

To manage interest rate risk, the Partnership controls the proportion of floating rate debt relative to fixed rate debt. In addition, the Partnership maintains access to diverse sources of funding under its established capital markets platform.

It is the Partnership's practice to finance substantially all of its debt requirements with long-term debt securities for which interest rates are fixed during the entire term of each security, generally ranging from 5 to 50 years from the date of issue. To manage short-term liquidity requirements, the Partnership has established bank credit facilities under which interest rates may vary daily unless the Partnership elects to issue bankers' acceptances or commercial paper under which interest rates are fixed during the entire term, typically ranging from 7 to 90 days from the date of issue. It is the Partnership's practice to issue commercial paper for substantially all of its short-term funding requirements.

The Partnership is not exposed to interest rate risk on new long-term debt issues. This risk is managed through the long-term debt deferral account, which protects the Partnership against interest rate forecast risk on new long-term debt issues. Volume risk on new long-term debt issuance is managed through the direct assign capital deferral account. For short-term debt, the Partnership is at risk for increases in interest rates above the rate approved by the regulator and any volume variances not caused by changes in direct assign capital expenditures.

Foreign exchange risk

The Partnership does not have a significant exposure to foreign exchange risk.

Liquidity risk

Liquidity risk includes the risk that, as a result of the Partnership's operational liquidity requirements:

- It may not have sufficient funds to settle a transaction on the due date;
- It may be forced to sell financial assets below their fair market value; and
- It may be unable to settle or recover a financial asset.

To manage this risk, the Partnership has readily accessible standby credit facilities and other funding arrangements in place; generally uses financial instruments that are tradable in highly liquid markets; and has a liquidity portfolio structure wherein surplus funds are invested in highly liquid financial instruments. See note 10 - Debt for a maturity analysis.

Capital risk management

In managing its capital structure, the Partnership includes partners' capital, retained earnings and short-term and long-term debt in the definition of capital.

The Partnership manages its capital structure in order to reduce the cost of debt capital for customers and to safeguard its ability to continue as a going concern. In order to maintain or adjust the capital structure, the Partnership may adjust the amount of distributions paid to partners, return capital to partners or request additional contributions from partners. The Partnership reduces refinancing risk by diversifying the maturity dates of its debt obligations.

Summary of capital structure

	September 30, 2021		As at December 31, 2020	
	(millions)	%	(millions)	%
Commercial paper and bank credit facilities	\$ 120.5	1.4	\$ 143.5	1.7
Long-term debt (before netting deferred financing fees)	4,745.0	56.5	4,744.9	57.3
AltaLink, L.P. capital	2,130.5	25.3	2,119.9	25.6
Retained earnings	1,410.6	16.8	1,269.8	15.4
	\$ 8,406.6	100.0	\$ 8,278.1	100.0

The Partnership is subject to externally imposed capitalization requirements under the Master Trust Indenture and the bank credit facilities. These agreements limit the amount of debt that can be incurred to 75% of total capitalization. The Partnership was in compliance with these requirements as at September 30, 2021 and December 31, 2020.

5. Trade and other receivables and other non-current assets

	September 30, 2021		As at December 31, 2020	
	<i>(in thousands of dollars)</i>			
Trade receivables	\$ 49,104		\$ 23,195	
Current lease incentive net of current lease liabilities [note 12]	—		1,407	
Prepaid expenses and deposits	31,934		18,239	
Cancelled projects	4,222		26,300	
Current financial assets related to regulated activities	14,738		35,976	
Total trade and other receivables	\$ 99,998		\$ 105,117	
CWIP-in-rate base and related income tax receivable	\$ 244,744		\$ 249,237	
Recovery of deemed future income taxes	504,256		350,127	
Other non-current financial assets related to regulated activities	268,899		204,365	
Total other non-current assets	\$ 1,017,899		\$ 803,729	

Trade receivables as at September 30, 2021 include \$47.1 million (December 31, 2020 – \$20.9 million) due from the AESO for the September portion of the transmission tariffs and the difference between recognized revenue and approved tariff revenue received.

Financial assets related to regulated activities include the recovery of deferral account balances which are certain costs that have been incurred by the Partnership relating to its primary activities with the AESO that are greater than what has been received in tariffs. Financial assets related to regulated activities also include amounts that have been added to rate base for regulatory purposes, which will be recovered or repaid in tariff revenue over a time period, as approved by the AUC.

6. Intangible assets

	As at	
	September 30, 2021	December 31, 2020
<i>(in thousands of dollars)</i>		
Net book value, beginning of period	\$ 293,154	\$ 291,468
Additions to CWIP	15,961	24,331
Retirements, net	(163)	—
Amortization	(16,766)	(22,645)
Net book value, end of period	\$ 292,186	\$ 293,154

During the nine months ended September 30, 2021, the Partnership transferred \$13.8 million (September 30, 2020 – \$9.9 million) to land rights and computer software from CWIP.

7. Property, plant and equipment

	Lines ¹	Substations ²	Buildings & equipment ³	Land & CWIP ⁴	Total
<i>(in thousands of dollars)</i>					
Cost					
As at January 1, 2020	\$ 5,085,906	\$ 4,165,393	\$ 281,545	\$ 196,338	\$ 9,729,182
Additions to CWIP	—	—	—	275,427	275,427
Transfers	105,643	93,483	19,240	(218,366)	—
Disallowed capital costs ⁵	(4,221)	(1,463)	—	—	(5,684)
Retirements and other	(1,203)	(7,309)	(14,536)	—	(23,048)
As at December 31, 2020	5,186,125	4,250,104	286,249	253,399	9,975,877
Additions to CWIP	—	—	—	184,692	184,692
Transfers	64,274	88,392	5,338	(158,004)	—
Cancelled project transfers	—	—	—	(10,329)	(10,329)
Disallowed capital costs ^{6,7}	(297)	(365)	—	—	(662)
Retirements and other	(92)	(4,927)	(7,326)	(135)	(12,480)
As at September 30, 2021	\$ 5,250,010	\$ 4,333,204	\$ 284,261	\$ 269,623	\$ 10,137,098
Accumulated depreciation					
As at January 1, 2020	\$ (634,659)	\$ (890,438)	\$ (72,367)	\$ —	\$ (1,597,464)
Depreciation expense	(125,817)	(115,331)	(17,853)	—	(259,001)
Disallowed capital depreciation ⁵	503	222	—	—	725
Retirements and other	441	3,726	14,433	—	18,600
As at December 31, 2020	(759,532)	(1,001,821)	(75,787)	—	(1,837,140)
Depreciation expense	(77,985)	(104,109)	(13,157)	—	(195,251)
Disallowed capital depreciation ^{6,7}	10	14	—	—	24
Retirements and other	(13)	2,783	2,218	—	4,988
As at September 30, 2021	\$ (837,520)	\$ (1,103,133)	\$ (86,726)	\$ —	\$ (2,027,379)
Net book value					
As at December 31, 2020	\$ 4,426,593	\$ 3,248,283	\$ 210,462	\$ 253,399	\$ 8,138,737
As at September 30, 2021	\$ 4,412,490	\$ 3,230,071	\$ 197,535	\$ 269,623	\$ 8,109,719

1. Lines – transmission lines and related equipment.

2. Substations – substation and telecontrol equipment.
3. Buildings & equipment – office buildings, leasehold improvements, leased assets, vehicles, tools and instruments, office furniture, telephone and related equipment, computer hardware and emergency capital spare parts. Leased assets relate to five building leases with an average remaining lease term of 17 years and net book value of \$40.2 million as at September 30, 2021 (December 31, 2020 – \$42.1 million); there were no additions to the cost of the leased assets during the nine months ended September 30, 2021 (December 31, 2020 – \$nil).
4. Land & CWIP – land, capitalized inventory and CWIP. CWIP is reclassified to the appropriate asset classes when the assets are available for use.
5. On December 11, 2020, the AUC issued its decision on AltaLink's 2016-2018 Deferral Accounts Reconciliation Application. The AUC approved \$941.0 million of the total \$946.7 million of capital project additions, disallowing \$5.7 million of capital costs. The net book value of the disallowed capital costs was \$5.0 million and AltaLink will repay \$0.7 million of accumulated depreciation which it had recovered.
6. On March 19, 2021, the AUC issued its decision on AltaLink's 2019 Deferral Accounts Reconciliation Application. The AUC approved \$128.0 million of the total \$128.5 million of capital project additions, disallowing \$0.5 million of capital costs. The net book value of the disallowed capital costs was \$0.46 million and AltaLink will repay \$0.02 million of accumulated depreciation which it had recovered.
7. On April 27, 2021, the AUC issued its decision on AltaLink's 2016-2018 Deferral Accounts Reconciliation Compliance Filing, disallowing \$0.2 million of internal labour costs to prepare and support the application. The net book value of the disallowed capital costs was \$0.19 million and AltaLink will repay \$0.01 million of accumulated depreciation which it had recovered. This disallowance was in addition to the \$5.7 million of capital costs disallowed by the AUC as noted in footnote 5 above.

8. Third party deposits

	Contributions in Advance of Construction	Operating and Maintenance Charges in Advance	Total
<i>(in thousands of dollars)</i>			
As at January 1, 2020	\$ 56,390	\$ 6,216	\$ 62,606
Receipts and interest net of refunds	79,178	57	79,235
Transfers to deferred revenue [note 11]	(66,851)	—	(66,851)
Recognized other revenue	—	(200)	(200)
As at December 31, 2020	68,717	6,073	74,790
Receipts and interest net of refunds	36,445	28	36,473
Transfers to deferred revenue [note 11]	(43,701)	—	(43,701)
Recognized other revenue	—	(148)	(148)
As at September 30, 2021	\$ 61,461	\$ 5,953	\$ 67,414

Third party deposits are held in short-term investments, which are reinvested as needed. These investments earned a weighted average annual effective interest rate of 0.27% as at September 30, 2021 (December 31, 2020 – 0.49%). For contributions in advance of construction, all interest is credited to the specific customer.

9. Trade and other payables and other non-current liabilities

	As at	
	September 30, 2021	December 31, 2020
<i>(in thousands of dollars)</i>		
Trade and accrued payables	\$ 64,061	\$ 65,309
Accrued interest on debt	49,089	26,777
Other current liabilities	3,822	4,694
Current lease liabilities [note 12]	1,862	—
Current financial liabilities related to regulated activities	7,895	7,329
Total trade and other payables	\$ 126,729	\$ 104,109
Accrued employment benefit liabilities	\$ 12,099	\$ 11,340
Other long-term liabilities	9,996	5,182
Non-current financial liabilities related to regulated activities	11,414	9,964
Financial (redemption) liability	16,540	16,535
Total other non-current liabilities	\$ 50,049	\$ 43,021

Financial liabilities related to regulated activities include accruals for the repayment of deferral account balances which are certain costs that have been incurred by the Partnership relating to its primary activities with the AESO that are less than what has been received in tariffs.

Financial (redemption) liability

Piikani Transmission Holding Limited Partnership and 1759511 Alberta Ltd. (the nominee of the Blood Tribe) have put options to sell all their units in PLP and KLP, respectively, to AltaLink at any time, subject to regulatory approvals from the AUC. To reflect the put options of Piikani Transmission Holding Limited Partnership and 1759511 Alberta Ltd., the Partnership recognizes a financial (redemption) liability and reduces AltaLink partners' capital in the consolidated financial statements. The valuation of the purchase price on the put options are defined in the partnership agreements and are calculated as the net regulatory book value of long-term assets less the book value of long-term debt on the put option exercise date.

10. Debt

Commercial paper and bank credit facilities

As at September 30, 2021 <i>(in thousands of dollars)</i>	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
Revolving credit facility	\$ 500,000	\$ —	\$ 120,500	\$ —	\$ 379,500	December 15, 2025
Revolving credit facility	75,000	—	—	1,605	73,395	December 15, 2025
	\$ 575,000	\$ —	\$ 120,500	\$ 1,605	\$ 452,895	

As at December 31, 2020 <i>(in thousands of dollars)</i>	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
Revolving credit facility	\$ 500,000	\$ —	\$ 143,500	\$ —	\$ 356,500	December 14, 2024
Revolving credit facility	75,000	—	—	2,195	72,805	December 14, 2024
Revolving credit facility	100,000	—	—	—	100,000	April 27, 2021
	\$ 675,000	\$ —	\$ 143,500	\$ 2,195	\$ 529,305	

The \$500.0 million revolving credit facility provides support for the borrowing under the unsecured commercial paper program and may also be used for operating expenses, capital expenditures, working capital needs, and for general corporate purposes including the payment of distributions. Drawdowns under this facility may be in the form of Canadian prime rate loans or bankers' acceptances. On an annual basis, with the consent of the lenders, the Partnership can request that the maturity date of the credit facility be extended for a further 365 days.

The \$75.0 million revolving credit facility may be used for operating expenses, capital expenditures, working capital needs, and for general corporate purposes including the payment of distributions. Drawdowns under this facility may be in the form of Canadian prime rate loans or bankers' acceptances, U.S. base rate loans, U.S. LIBOR loans or drawn letters of credit. On an annual basis, with the consent of the lenders, the Partnership can request that the maturity date of the credit facility be extended for a further 365 days.

The \$100.0 million revolving credit facility matured on April 27, 2021 and was not extended.

Long-term debt

	Effective Interest Rate	Maturing	September 30, 2021	As at December 31, 2020
<i>(in thousands of dollars)</i>				
Senior Debt obligations				
Series 2012-2, 2.978%	3.041%	2022	\$ 275,000	\$ 275,000
Series 2013-4, 3.668%	3.733%	2023	500,000	500,000
Series 2014-1, 3.399%	3.463%	2024	350,000	350,000
Series 2016-1, 2.747%	2.813%	2026	350,000	350,000
Series 2020-1, 1.509%	1.588%	2030	225,000	225,000
Series 2006-1, 5.249%	5.299%	2036	150,000	150,000
Series 2010-1, 5.381%	5.432%	2040	125,000	125,000
Series 2010-2, 4.872%	4.928%	2040	150,000	150,000
Series 2011-1, 4.462%	4.503%	2041	275,000	275,000
Series 2012-1, 3.990%	4.029%	2042	525,000	525,000
Series 2013-3, 4.922%	4.963%	2043	350,000	350,000
Series 2014-3, 4.054%	4.091%	2044	295,000	295,000
Series 2015-1, 4.090%	4.127%	2045	350,000	350,000
Series 2016-2, 3.717%	3.753%	2046	450,000	450,000
Series 2013-1, 4.446%	4.484%	2053	250,000	250,000
Series 2014-2, 4.274%	4.305%	2064	130,000	130,000
			4,750,000	4,750,000
Debt discounts and premiums			(5,020)	(5,133)
Less: deferred financing fees			(21,289)	(22,384)
Long-term debt			\$ 4,723,691	\$ 4,722,483

The Partnership uses the proceeds from the issuance of Senior Debt obligations to repay commercial paper and indebtedness outstanding under the Partnership's credit facilities and maturing Senior Debt obligations, to finance the capital construction program, and for general corporate purposes.

The Senior Debt obligations are secured obligations and rank pari passu with all existing and future senior indebtedness, and ahead of all subordinated indebtedness of the Partnership. Collateral for the Senior Debt obligations consists of a first floating charge security interest on the Partnership's present and future assets. The bank credit facilities rank equally with Senior Debt and all future senior secured indebtedness that is issued by the Partnership.

Senior Debt is redeemable by the Partnership at the greater of (i) the prevailing Government of Canada bond yield plus a pre-determined premium, and (ii) the face amount of the debt to be redeemed plus, in each case, accrued and unpaid interest to the date of redemption. The Partnership has no current plans to redeem any of its long-term debt prior to maturity. Certain of the AltaLink debt instruments have a provision which allows for redemption at the face amount, either three or six months before maturity.

Scheduled principal repayments

*(in thousands of dollars)***Maturing**

2021	\$	—
2022		275,000
2023		500,000
2024		350,000
2025		—
2026		350,000
2027 and thereafter		3,275,000

Finance costs

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<i>(in thousands of dollars)</i>				
Interest expense	\$ 46,625	\$ 47,110	\$ 138,467	\$ 141,500
Amortization of deferred financing fees	369	346	1,090	1,020
Capitalized borrowing costs ¹ [note 14]	(851)	(900)	(2,485)	(2,360)
Interest expense on lease liabilities	510	248	1,524	740
	\$ 46,653	\$ 46,804	\$ 138,596	\$ 140,900

1. The average capitalization rate during the period ended September 30, 2021 was 3.16% (December 31, 2020 – 3.87%, September 30, 2020 – 3.90%).

11. Deferred revenue

	Third Party Contributions	Deferred Revenue for Salvage	Total
<i>(in thousands of dollars)</i>			
As at January 1, 2020	\$ 816,227	\$ 241,170	\$ 1,057,397
Transferred from third party deposits [note 8]	66,851	—	66,851
Received through transmission tariffs	—	8,871	8,871
Transferred from third parties	—	1,938	1,938
Recognized as revenue	(24,790)	(35,452)	(60,242)
As at December 31, 2020	858,288	216,527	1,074,815
Transferred from third party deposits [note 8]	43,701	—	43,701
Cancelled project transfers	(6,106)	—	(6,106)
Received through transmission tariffs [note 14]	—	22,327	22,327
Transferred from third parties	—	101	101
Recognized as revenue [note 14]	(19,014)	(23,421)	(42,435)
As at September 30, 2021	\$ 876,869	\$ 215,534	\$ 1,092,403

	As at	
	September 30, 2021	December 31, 2020
<i>(in thousands of dollars)</i>		
Current portion	\$ 58,181	\$ 57,185
Long-term portion	1,034,222	1,017,630
	\$ 1,092,403	\$ 1,074,815

12. Lease liabilities

Lease liabilities

	As at	
	September 30, 2021	December 31, 2020
<i>(in thousands of dollars)</i>		
Current lease liabilities [note 9] / Current lease incentive net of current lease liabilities [note 5]	\$ 1,862	\$ (1,407)
Long-term portion	51,367	52,830
	\$ 53,229	\$ 51,423

Lease payments

	Remaining three months					2026 and thereafter		Total as at September 30, 2021	
	2021	2022	2023	2024	2025				
<i>(in thousands of dollars)</i>									
Lease payments	\$ 906	\$ 3,967	\$ 4,035	\$ 3,924	\$ 4,228	\$ 56,172	\$ 73,232		
Amounts representing implicit interest							(20,003)		
Lease liabilities							\$ 53,229		

As at September 30, 2021, the weighted average lessee incremental borrowing rate applied to the lease liabilities is 3.84% (December 31, 2020 – 3.84%).

Amounts recognized in statement of comprehensive income

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<i>(in thousands of dollars)</i>				
Gross depreciation expense of leased assets	\$ 652	\$ 651	\$ 1,956	\$ 1,956
Capitalized depreciation expense of leased assets	(554)	(567)	(1,624)	(1,646)
Net depreciation expense of leased assets	\$ 98	\$ 84	\$ 332	\$ 310
Interest expense on lease liabilities	510	248	1,524	740
Expense relating to short-term leases and variable lease payments not included in the measurement of the lease liability	984	789	2,832	2,601
	\$ 1,592	\$ 1,121	\$ 4,688	\$ 3,651

The total cash outflows for lease principal and interest were \$0.9 million and \$2.7 million for the three and nine months ended September 30, 2021, respectively (September 30, 2020 – \$0.9 million and \$2.7 million, respectively). The cash inflow for lease incentive was \$nil and \$3.0 million for the three and nine months ended September 30, 2021, respectively (September 30, 2020 – \$nil and \$3.0 million, respectively).

13. Related party transactions

In the normal course of business, the Partnership transacts with its partners and other related parties. The following transactions were measured at the exchange amount:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<i>(in thousands of dollars)</i>				
AltaLink Management Ltd.				
Employee compensation and benefits	\$ 29,873	\$ 30,358	\$ 97,641	\$ 95,758
Cost recovery for non-regulated activities	\$ 740	\$ 443	\$ 2,027	\$ 1,414

AltaLink Management Ltd. employs all staff who provide administrative and operational services to the Partnership on a cost reimbursement basis. The Partnership has indemnified AltaLink Management Ltd. for all associated expenses and liabilities.

The Partnership has an accrued balance for employee compensation and benefits of \$28.8 million as at September 30, 2021 (December 31, 2020 – \$29.1 million).

Cost recovery for non-regulated activities includes services provided to AltaLink Investments, L.P., AltaLink Investment Management Ltd., AltaLink Holdings, L.P., BHE Canada, L.P., BHE Canada Ltd., BHE Canada Holdings Corporation, and Berkshire Hathaway Energy Company.

14. Revenue from operations

On March 15, 2021, the AUC issued Decision 26248-D01-2021 on AltaLink's 2021-2023 Tariff Refund Application. The AUC approved a 2021 customer tariff refund in the amount of \$230.0 million and a net 2021 tariff reduction of \$223.5 million, which provides Alberta ratepayers with immediate tariff relief in 2021. The AUC approved a revised revenue requirement of \$873.3 million for 2021 and a final cash tariff of \$46.5 million per month starting April 2021, which includes monthly tariffs for PLP and KLP.

On November 19, 2020, the AUC issued Decision 25870-D01-2020 on AltaLink's review and variance application with respect to its new salvage proposal. The AUC decided to vary the original decision and approve AltaLink's proposed net salvage methodology and the revised monthly cash tariff of \$20.9 million for December 2020, and monthly cash tariffs of \$71.4 million starting January 2021, which both include monthly tariffs for PLP and KLP.

AltaLink filed its 2019-2021 General Tariff Application on August 23, 2018 and amended application in April 2019. On July 10, 2019, AltaLink filed with the AUC a partial negotiated settlement application for its 2019-2021 General Tariff Application. On April 16, 2020, the AUC issued Decision 23848-D01-2020 with respect to AltaLink's 2019-2021 General Tariff Application. AltaLink's compliance filing in response to this decision was filed and on July 21, 2020, the AUC approved AltaLink's 2019-2021 General Tariff Application amended compliance filing and revised monthly cash tariffs of \$71.2 million starting September 2020, which include monthly tariffs for PLP and KLP.

On October 15, 2019, AltaLink filed a letter with the AUC to request the continuation of the monthly interim refundable transmission tariff effective January 1, 2020, until a final tariff is approved. On October 18, 2019, the AUC confirmed the interim refundable cash tariff for 2020 starting at \$74.0 million per month.

The AUC issued Decision 22570-D01-2018 in relation to the 2018 Generic Cost of Capital Proceeding in August 2018. In its decision, the AUC set the generic rate of return on common equity at 8.5% for 2018, 2019 and 2020, and the Partnership's common equity ratio at 37% for 2018, 2019 and 2020. On October 13, 2020, the AUC issued Decision 24110-D01-2020 with respect to the setting of return on equity and deemed equity ratios for certain Alberta utilities including AltaLink. The AUC set the final approved return on equity and deemed equity ratio for AltaLink by extending the current approved 8.5% and 37% respectively, for the duration of 2021.

For the nine months ended September 30, 2021, approximately 96% of the Partnership's revenue is attributable to the AESO (September 30, 2020 – approximately 96%).

The following table summarizes the timing differences between the revenue requirement approved on March 15, 2021 for 2021 and April 16, 2020 for 2020, and revenue from operations earned during the periods.

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<i>(in thousands of dollars)</i>				
Return on rate base	\$ 107,234	\$ 105,503	\$ 321,704	\$ 316,508
Recovery of forecast expenses	111,084	118,054	333,251	354,164
Revenue requirement	\$ 218,318	\$ 223,557	\$ 654,955	\$ 670,672
AFUDC	2,213	2,340	6,493	6,067
(Repayable) receivable directly assigned capital projects	(2,683)	(974)	(7,869)	2,892
Receivable (repayable) property taxes and other	1,574	(467)	2,051	189
Revenue related IFRS adjustments ¹	17,166	7,652	50,044	20,746
Revenue from operations	\$ 236,588	\$ 232,108	\$ 705,674	\$ 700,566

1. The Partnership has included adjustments to recognize differences in accounting treatment for International Financial Reporting Standards (IFRS) purposes, compared to regulatory purposes, as shown in more detail in the table below.

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<i>(in thousands of dollars)</i>				
Revenue related to salvage costs [note 11]	\$ 8,600	\$ 8,552	\$ 23,421	\$ 21,970
Salvage funds transferred to deferred revenue [note 11]	(7,442)	(16,043)	(22,327)	(46,746)
Revenue for the recovery of future income taxes	18,063	17,843	54,129	53,546
Recovery of loss on disposal of assets other than land	510	248	2,415	1,043
Capitalized borrowing costs [note 10]	(851)	(900)	(2,485)	(2,360)
Collection of receivables related to the above IFRS adjustments	(1,714)	(2,048)	(5,109)	(6,707)
Revenue related IFRS adjustments	\$ 17,166	\$ 7,652	\$ 50,044	\$ 20,746

15. Expenses

Operating expenses

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<i>(in thousands of dollars)</i>				
Employee salaries and benefits	\$ 12,192	\$ 12,126	\$ 40,798	\$ 39,346
Contracted labour	4,635	7,950	16,534	19,493
Other operating expenses	5,433	6,533	18,359	19,673
Disallowed capital costs [note 7]	—	—	662	—
	\$ 22,260	\$ 26,609	\$ 76,353	\$ 78,512

Property taxes, salvage and other expenses

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<i>(in thousands of dollars)</i>				
Property and business tax	\$ 14,327	\$ 12,691	\$ 39,340	\$ 38,069
Salvage expenses	8,599	8,552	23,420	21,970
Annual structure payments	3,886	3,716	11,579	11,359
Hearing expenses and other	—	15	1,113	1,235
	\$ 26,812	\$ 24,974	\$ 75,452	\$ 72,633

The property taxes, salvage and other expenses in the table above do not have an impact on net income because they are fully recovered in tariff revenue (note 14 - Revenue from operations).

16. Non-controlling interests

As at September 30, 2021, AltaLink holds partial interests in two non-wholly-owned subsidiaries, KLP and PLP, which are also transmission facility owners operated by the General Partner. These subsidiaries were formed to jointly hold the Southwest 240 kilovolt regulated transmission assets located on First Nations Reserve lands with local First Nation partners.

As at September 30, 2021, 1759511 Alberta Ltd.'s \$6.6 million limited partner interest, or 51% of KLP, is represented as a non-controlling interest within the equity section of the statement of financial position (December 31, 2020 – \$6.6 million).

As at September 30, 2021, Piikani Transmission Holding Limited Partnership's (the nominee of the Piikani First Nation) \$9.9 million limited partner interest, or 51% of PLP, is represented as a non-controlling interest within the equity section of the statement of financial position (December 31, 2020 – \$9.9 million).

17. Commitments

The contractual commitments of the Partnership associated with the construction of new facilities as at September 30, 2021 are \$97.0 million (December 31, 2020 – \$102.7 million).

On March 15, 2021, the AUC issued a decision on AltaLink's 2021-2023 Tariff Refund Application approving \$230.0 million in tariff refunds. AltaLink is committed to providing the \$230.0 million in refunds for its customers through net reductions totalling \$223.5 million from its April 2021 to December 2021 monthly tariffs. As at September 30, 2021, the Partnership's remaining customer tariff refund commitment was \$76.7 million.

18. Contingencies

The Partnership is subject to legal proceedings, assessments, and claims in the ordinary course of business, including the following:

- AltaLink has been sued by third parties who seek compensation for damages in respect of certain operating, capital project or other activities performed by AltaLink or its contractors.
- The Partnership has found instances of equipment, engineering or construction deficiencies following acceptance and energization of some assets. Claims processes are in place to seek recovery for such deficiencies. In one instance, the Partnership is in litigation and has claimed that specific equipment has inherent design, manufacturing and other defects that create a risk of personal injury and property damage. The Partnership has claimed \$56 million for the cost of replacing specific equipment and the additional inspections required for the equipment.

At this time, in the opinion of management, the contingencies are dependent on future legal proceeding results and the likely outcomes are not determinable.